



# U.S. Environmental Protection Agency Applicability Determination Index

Control Number: 0200064

**Category:** NSPS  
**EPA Office:** Region 8  
**Date:** 09/07/1999  
**Title:** Custody Transfer Exemption Clarification  
**Recipient:** Dan Olson  
**Author:** Martin Hestmark

**Subparts:** Part 60, K, Storage Vess. for Petrol. Liquids (pre 5/19/78)  
Part 60, Ka, Storage Vess. for Petrol. Liquids (5/19/78 - 7/23/84)  
Part 60, Kb, Storage Vessels for VOCs (post 7/23/84)

**References:** 60.110b  
60.111(g)

**Abstract:**

Q: At what point does the custody transfer exemption apply to petroleum liquid storage vessels in natural gas production processes?

A: There is no set point for every facility where the custody transfer exemption applies. If the petroleum liquid storage vessels are located after any type of processing or treatment, the custody transfer exemption does not apply. It is possible that the custody transfer exemption may apply to different facilities at different points in the natural gas production process.

**Letter:**

UNITED STATES ENVIRONMENTAL PROTECTION AGENCY  
REGION VIII  
999 18th STREET - SUITE 500  
DENVER, COLORADO 80202-2466

8ENF-T

Mr. Dan Olson  
Administrator, Air Quality Division  
Wyoming Department of Environmental Quality  
122 West 25th Street  
Cheyenne, WY 82002

Re: Subpart K Custody Transfer Exemption

Dear Mr. Olson:

This letter is in response to your letter dated January 14, 1998 in which you requested a determination from EPA concerning the applicability of New Source Performance Standards (NSPS) Subpart K/Ka/Kb, regarding custody transfer, to natural gas production operations.

After coordinating with both EPA Region VI and EPA's Office of Compliance, I have determined that the particular facility components subject to the NSPS K/Ka/Kb custody transfer exemption can vary from facility to facility based on site specific factors. There is no set point for every facility where this exemption applies. The important factors to consider are the location of processing and treatment in relation to the tanks and the flow of condensate. If tanks are located after any type of processing or treatment, the custody transfer exemption does not apply. Processing can include water, sulfur, and/or carbon dioxide removal or treatment. It is necessary to obtain information from the facility concerning location, usage, and processing before making any determination. Thus, it is possible that different facilities may obtain the custody transfer exemption at different points in the natural gas production process. This may have caused some of the confusion you described in your letter regarding your company who had facilities in other EPA Regions.

In your letter you referenced the Background Information Document for NSPS K. You are correct in noting that EPA intended to regulate mainly tanks used in field operations. However, as explained above, it is the location of processing and treatment operations, in relation to the tanks, which is the deciding factor. In addition, in your letter you noted that your company used RCRA guidance document definitions of "producing operations" and "transportation" in order to extend the definition of custody transfer (and thus the exemption) clear through the pipeline to the gas plant itself. Since using the RCRA definitions would drastically change the meaning of the NSPS custody transfer definition, it is not appropriate to use the RCRA definitions in interpreting the custody transfer definition.

As a final note, another factor to consider when making a NSPS K/Ka/Kb custody transfer exemption decision is that certain large vessels are ineligible for the custody transfer exemption (40 CFR 60.110b (d) (4)).

Thank you for your patience in awaiting our reply. If you have any questions regarding this determination, you can reach me at (303) 312-6776, or have your staff contact Brenda South at (303) 312-6740.

Sincerely,

Martin Hestmark, Director  
Technical Enforcement Program